

Summary
SCHOOL AID FY 2003-04
House Bill 4401
Public Act 158 of 2003



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OVERVIEW

The School Aid budget makes appropriations to the state's 554 local school districts, 184 public school academies, and 57 intermediate school districts for operations and certain categorical programs. It also appropriates funds to the Center for Education Performance, Department of Career Development, and other entities to implement certain grants and other programs related to K-12 education. P.A. 158 of 2003 is the second act to make FY 2003-04 appropriations, with P.A. 521 of 2003, which simply continued FY 2002-03 appropriations into FY 2003-04, being the first. However, unlike other bills in recent years which created multi-year School Aid budgets, this bill budgets for only one future fiscal year.

	FY 2002-03 YTD (as of 3/6/03)	Executive	House	Senate	Enacted	Difference: Enacted to 2002-03 YTD	
						Amount	%
IDG/IDT	\$0	\$0	0	0	0	\$0	0.0
Federal	1,219,825,200	1,244,363,100	1,242,733,900	1,315,612,300	1,316,681,900	96,856,700	7.9
Local	700,000	0	0	0	0	(700,000)	(100.0)
Private	0	0	0	0	0	0	0.0
Restricted	11,164,441,400	11,223,600,000	11,063,658,400	10,955,778,600	11,002,700,500	(161,740,900)	(1.4)
GF/GP	198,413,500	0	206,870,100	306,800,000	284,686,600	86,273,100	43.5
Gross	\$12,583,380,100	\$12,467,963,100	\$12,513,262,400	\$12,578,190,800	\$12,604,069,000	\$20,688,900	0.2

Note: FY 2002-03 YTD figures do not include the results of any supplementals, contingency transfers, or EO actions that occurred after March 6, 2003, but do reflect an automatic 3.8% proration that went into effect in March 2003. FY 2003-04 general fund number includes \$22 million which was then transferred to the School Aid Stabilization Fund.

		YTD	Enacted
Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04	FY 2003-04
1. Durant Debt Service	Gross	\$40,000,000	(\$39,859,000)
Reduces appropriations by \$39.9 million to reflect the refinancing of the bonds issued as part of the Durant ruling.	GF/GP	40,000,000	(39,859,000)
2. School Bond Redemption Fund	Gross	\$0	\$28,300,000
Adds funding to pay for the debt service on the School Bond Loan Fund to be funded from the refinancing of the school bond loans.	GF/GP	0	28,300,000
3. Proposal A Obligation Payment	Gross	\$6,953,000,000	(\$137,000,000)
Reduces appropriation by \$137 million from current law to reflect changes in pupil counts, taxable values, and anticipated savings due to personal property tax audits.	Restricted	6,953,000,000	(137,000,000)

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		<u>YTD FY 2003-04</u>	<u>Enacted FY 2003-04</u>
4. Discretionary Payment	Gross	\$2,880,000,000	\$16,000,000
Increases the appropriation by \$1 million from current law to reflect changes in pupil counts and taxable values, elimination of \$15 million to Detroit, and \$2.5 million for declining enrollment districts in the Upper Peninsula. The Executive vetoed the elimination of the Detroit grant, resulting in the retention of the \$15 million appropriation to Detroit contained in current law.	Restricted	2,880,000,000	16,000,000
5. Early Childhood Grants	Gross	\$2,000,000	(\$1,750,000)
Reduces appropriation by \$1.75 million to \$250,000.	Restricted	2,000,000	(1,750,000)
6. ISD 0-5 Parenting Grants	Gross	NA	\$3,326,000
Appropriates \$3.3 million for this new program to help parents of children aged 5 and under ready their children to enter school.	Restricted	NA	3,326,000
7. Bilingual Education	Gross	\$4,212,000	(\$179,900)
Reduces state funds by \$1.4 million and adds new federal funds of \$1.2 million.	Federal	0	1,232,100
	Restricted	4,212,000	(1,412,000)
8. Advanced & Accelerated (Gifted & Talented) Programs	Gross	\$5,000,000	(\$4,750,000)
Reduces funding to \$250,000 million and changes the name to Advanced and Accelerated programs.	Restricted	5,000,000	(4,750,000)
9. Vocational Education	Gross	\$31,027,600	(\$1,027,600)
Reduces the appropriation for vocational education by \$1.03 million from current law.	Restricted	31,027,600	(1,027,600)
10. Career Preparation System	Gross	\$22,200,000	(\$21,200,000)
Reduces funding from \$22.2 million to \$1.0 million.	GF/GP	22,200,000	(21,200,000)
11. Center for Education Performance and Information	Gross	\$6,857,600	\$0
Reduces the state appropriation for the Center for Education Performance and Information (CEPI) to \$1.9 million, of which \$1.5 million must be used for a contract with Standards and Poors. The Executive vetoed this section of the bill, thus retaining the original appropriation.	Federal	2,357,600	0
	GF/GP	4,500,000	0
12. Michigan Virtual University	Gross	\$11,584,700	(\$8,584,700)
Appropriates \$750,000 in state funds and \$2.25 million in federal funds, with \$1.25 million earmarked for professional development activities. Transfers the Learning Without Limits grants to a new section 98b.	Federal	6,584,700	(4,334,700)
	GF/GP	5,000,000	(4,250,000)
13. Freedom to Learn (Learning Without Limits) Grants	Gross	NA	39,343,200
Increases the state appropriation to purchase wireless technology for 6 th grade pupils to \$22 million from the \$3.5 million formerly appropriated in Sec. 98 and adds \$17.3 million in federal funds. (Formerly named "Learning Without Limits" grants.)	Federal	NA	17,343,200
	Restricted	NA	22,000,000
14. Math and Science Centers	Gross	\$10,232,300	(\$5,244,600)
Reduces state funding by \$7.7 million and increases federal funds by \$2.5 million.	Federal	0	2,487,700
	Restricted	9,684,300	(7,184,300)
	GF/GP	548,000	(548,000)

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		<u>YTD FY 2003-04</u>	<u>Enacted FY 2003-04</u>
<i>15. Adult Education</i>	Gross	\$77,500,000	(\$57,500,000)
Reduces the Adult Education program by \$57.5 million and retains the per-participant amount at \$2,850.	Restricted	77,500,000	(57,500,000)
<i>16. Partnership for Adult Learning</i>	Gross	\$20,000,000	(\$19,000,000)
Reduces the Partnership for Adult Learning program by \$19 million to \$1 million.	GF/GP	20,000,000	(19,000,000)

Major Boilerplate Changes from FY 2003-04:

Sec. 6(4) Membership Blend – RETAINED

Retains the membership blend upon which foundation allowance payments are calculated at a “80/20” blend, which is a sum of 80% of the current fall pupil count plus 20% of the previous February’s count.

Sec. 11(1) New Revenue Sources

Assumes \$100 million in new revenue from the refinancing of the School Bond Loan Fund debt, \$50 million in new money from two new lottery games, and \$4.3 million from the closing of tax loopholes.

Sec. 11(3) Proration Language – MODIFIED

Changes the method used to prorate payments when revenues are expected to fall short of appropriations from the current equal percentage reduction to an equal per-pupil reduction.

Sec. 11a. School Aid Stabilization Fund (New)

Establishes the School Aid Stabilization Fund and sets up an automatic transfer to the School Aid Fund if expenditures exceed revenues.

Sec. 11b. General Fund Transfers to School Aid Stabilization Fund (New)

Transfers \$22 million from the General Fund to the School Aid Stabilization Fund for the Freedom to Learn Program under Sec. 98b and requires a transfer of \$73.1 million from the General Fund to the School Aid Stabilization Fund if the balance in the General Fund at the end of FY 2002-03 is at least \$350 million.

Sec. 20(1) Basic Foundation Allowance – MAINTAINED

Retains per-pupil foundation allowances at the same level as FY 2002-03.

Sec. 20(10) School District Consolidation – MODIFIED

Replaces current law language that gives consolidating districts a new foundation allowance equal to the highest foundation allowance among the consolidating districts plus \$50, with new language that would give consolidating districts a pupil-weighted average foundation allowance.

Sec. 20(20) Reform Board Allocation – DELETED-VETOED

Eliminates an allocation of \$15 million to the Detroit school district in FY 2003-04 as long as the district is operated under a reform board.

Sec. 101. Days and Hours – MODIFIED

Revises the number of “snow days” to 30 hours from 2 days, eliminates the 180 days of instruction time requirement, and maintains the required hours of instruction at 1,098.

Sec. 147. MPERS Contribution Subsidy – MODIFIED

Proposes to reduce the estimated percentage of payroll that districts must allocate for public school employee retirement from 14.37% to 12.99%, contingent upon districts refinancing their School Bond Loan Fund debt.